

Series II
Subjects Files,
1916-1973

Box 16, Folder 1

Naval War College
Foundation, Inc.,
proposal for
establishment of,
1969

0381

Duplicate Articles of Association
(Non-Business Corporation)

Know all Men by These Presents, That we John Nicholas Brown, Richard B. Sheffield, Richard W. Bates, Robert Leeson, and Winthrop W. Aldrich.

all of lawful age, hereby agree to and with each other:

FIRST. To associate ourselves together with the intention of forming a corporation under and by virtue of the powers conferred by Chapter 7-6 of the General Laws of Rhode Island, as amended.

SECOND. Said corporation shall be known by the name of Naval War College Foundation, Inc. (hereinafter referred to as the Corporation).

THIRD. ~~Said corporation is constituted for the purposes of~~ (See attached page)

In addition to the foregoing, said corporation shall have the following powers and authority, viz:—(See §§ 7-6-7, 7-6-8 of the General Laws.)

To do any lawful act which is necessary or proper to accomplish the purposes of its incorporation. Without limiting or enlarging the effect of this general grant of authority, it is hereby specifically provided that every such corporation shall have power:

(a) to have perpetual succession in its corporate name unless a period for its duration is limited in its articles of association or charter;

(b) to sue and be sued in its corporate name;

(c) to have and use a common seal and alter the same at pleasure;

(d) to elect such officers and appoint such agents as its purposes require, and to fix their compensation and define their duties;

(e) to make by-laws not inconsistent with the Constitution or laws of the United States or of this state, or with the corporation's charter or articles of association, determining the time and place of holding and the manner of calling and of conducting meetings of its members and directors, the manner of electing its officers and directors, the mode of voting by proxy, and the number, qualifications, powers, duties and term of office of its officers and directors, and containing any other provisions, whether of the same or of a different nature, for the management of the corporation's property and the regulation and government of its affairs;

(f) to make contracts, incur liabilities and borrow money.

Said corporation shall be entitled to take, hold, transmit and convey real and personal estate to an amount not exceeding in all one hundred fifty thousand dollars (\$150,000); provided, however, that the foregoing limitation shall not apply to corporations organized for the purposes of fostering, encouraging and assisting the physical location, settlement or resettlement of industrial and manufacturing enterprises within the state, and to whose members no profit shall ensue. If any corporation subject to the foregoing limitation desires to take and hold property to an amount exceeding one hundred fifty thousand dollars (\$150,000) either originally or by amendment, such privilege shall be granted only by the general assembly on petition thereto.

(Over)

0382

DUPLICATE ARTICLES OF ASSOCIATION
(NON-BUSINESS CORPORATION)

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- (b) to sue and be sued in its corporate name;
- (c) to have and use a common seal and alter the same at pleasure;
- (d) to elect such officers and appoint such agents as its purposes require, and to fix their compensation and define their duties;
- (e) to make by-laws not inconsistent with the Constitution or laws of the United States or of this state, or with the corporation's charter or articles of association, determining the time and place of holding and the manner of calling and of conducting meetings of its members and directors, the manner of electing its officers and directors, the mode of voting by proxy, and the number, qualifications, powers, duties and term of office of its officers and directors, and containing any other provisions, whether of the same or of a different nature, for the management of the corporation's property and the regulation and government of its affairs;
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0383

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DUPLICATE ARTICLES OF ASSOCIATION

of

Naval War College Foundation, Inc.

THIRD. Said Corporation is constituted for charitable and educational purposes, specifically to solicit, receive, administer and donate funds and property for the encouragement, support, and furthering of the traditions of the U.S. Naval War College, located in Newport, Rhode Island, and the capabilities of the said U.S. Naval War College to carry out its mission of providing advanced professional education in the science of naval warfare and related subjects to officers of the United States Navy, other United States armed forces and government agencies, and selected senior foreign naval officers in residence, and for the improvement and beautification of the physical facilities of the said U.S. Naval War College, and for no other purposes; and to that end to take and hold, by bequest, devise, gift, purchase, or lease for such objects and purposes or any of them, any property, real, personal, or mixed, without limitation as to amount or value, except such limitations as may be imposed by law; to sell, convey, and dispose of any such property and to invest and reinvest the principal thereof, and to deal with and expend the principal or income therefrom, or both, for any of the before mentioned purposes, without limitation, except such limitations, if any, as may be contained in the instrument under which such property is received; to receive, take title to, hold, and use the proceeds and income of stocks, bonds, obligations, or other securities of any corporation or corporations, domestic or foreign, but only for the foregoing purposes, or any of them; and in general to exercise those powers which Title 7, Chapter 6, of the General Laws of the State of Rhode Island and Providence Plantations authorizes a non-business, nonprofit corporation to exercise, but only in furtherance of the purposes set forth in this Article, and not any other power. No part of the activities of this Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation; nor shall this Corporation participate to any extent in a political campaign for or against any candidate for public office.

FOURTH. Said corporation shall be located in Newport, Rhode Island.
Its mailing address is: Naval War College Foundation, Inc., U. S. Naval War College, Newport,
Rhode Island 02840. (City or Town)
(Further provisions not inconsistent with law)

FIFTH. Said Corporation is not organized for profit and shall have no capital stock; no part of the net earnings thereof is to inure to the benefit of any officer, director, member, or other individual (except that reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes), and no officer, director, member, or other individual shall share in the distribution of any of the corporate assets on the dissolution of the Corporation. In the event of dissolution of the Corporation, all debts of the Corporation shall first be paid. The remaining property and assets shall be paid or transferred to the Secretary of the Navy to be applied to the support of the said U. S. Naval War College.

SIXTH. Notwithstanding any other provision of these articles of association, the Corporation shall not conduct or carry on any activity not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code, and its regulations as they now exist, or as they may hereafter be amended, or by an organization, contributions to which are deductible under Section 170(c)(2) of such code or regulations as they now exist, or as they may hereafter be amended.

SEVENTH.

0385

In Testimony Whereof, We have hereunto set our hands and stated our residences this
22nd day of NOVEMBER A. D. 1969

NAME	RESIDENCE
Winthrop W. Aldrich	938 Fifth Ave. N.Y.C. N.Y.
Richard W. Bates	1245 Vernon St. Newport, R.I.
Robert Leeson	Harbor Court, Newport, R.I.
John Nicholas Brown	1230 Pres Reef E. Greenwich, R.I.
Richard B. Sheffield	255 India Ave. Milford, CT

STATE OF RHODE ISLAND, }
COUNTY OF }

In the City of ~~Town~~ ^{Newport}, Rhode Island
in said county this 22nd day of November A. D. 1969, then
personally appeared before me John Nicholas Brown, Richard B. Sheffield,
Richard W. Bates, Robert Leeson, and Winthrop W. Aldrich.

each and all known to me and known by me to be the parties executing the foregoing
instrument, and they severally acknowledged said instrument by them subscribed to be
their free act and deed.

Elegante Francis Crosby
Commission Expires Notary Public.
6/30/71

0386

In Testimony Whereof, We have hereunto set our hands and stated our residences this
22nd day of NOVEMBER A. D. 1969

NAME	RESIDENCE
<i>Winthrop W. Aldrich</i>	<i>930 Fifth Ave. N.Y. City</i>
<i>Richard W. Bates</i>	<i>132 14th Vernon St. Newport, R.I.</i>
<i>Robert Leeson</i>	<i>Hackensack Court, Newark, N.J.</i>
<i>Richard B. Sheffield</i>	<i>1130 1st Res Road E. Greenwich, R.I.</i>
	<i>255 India Ave. Millis, MA</i>

STATE OF RHODE ISLAND, }
COUNTY OF }

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in said county this 22nd day of November A. D. 1969, then
personally appeared before me John Nicholas Brown, Richard B. Sheffield,
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instrument, and they severally acknowledged said instrument by them subscribed to be
their free act and deed.

Eugene Francis Cook
Commission Expires Notary Public.
6/30/71

0387

Non-Business Corporation

DUPLICATE

ARTICLES OF ASSOCIATION OF

ORIGINAL

FILED IN THE OFFICE OF THE
SECRETARY OF STATE

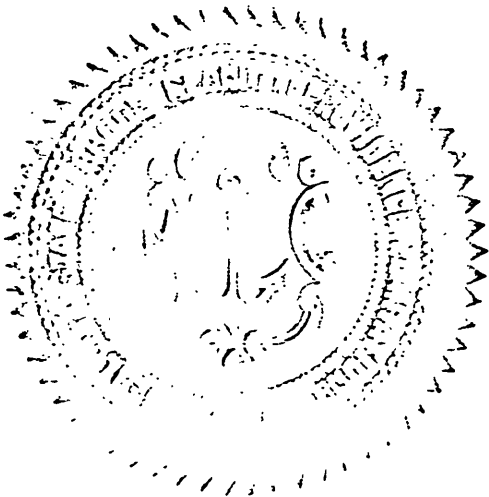
NOV 28 1969

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

I, AUGUST P. LAFRANCE Secretary of State
hereby certify that John Nicholas Brown,
Richard B. Sheffield, Richard W. Bates,
Robert Leeson, Winthrop W. Aldrich
filed in the office of the Secretary of State on the twenty-eighth
day of November, A. D. 19 69, an original and a duplicate
of the articles of association for forming a corporation under the name of Naval War College Foundation, Inc.
; and that the foregoing is the duplicate of said articles of association.

WITNESS my hand and the seal of the State of
Rhode Island this twenty-eighth
day of November, in
the year 1969



August P. LaFrance
Secretary of State

0388

Proposals for the formation of the Naval War College Foundation, Inc.

Background.

An individual or corporation desiring to make a donation of money or other property to the U.S. Naval War College, Newport, Rhode Island, presently must make an offer of such property to the Secretary of the Navy, who may accept the offer and receive it into the Department of the Navy General Gift Fund, which exists pursuant to the provisions of 10 USC 2601. The processing of such gifts has been found to be tedious and somewhat time-consuming by many donors. Donors frequently have valid tax reasons for wanting to divest themselves of title to property quickly. In situations where a donative intent exists, it is desirable--from the standpoint of the donee--to consummate the transfer of title as quickly as possible lest the donor die before the gift is effected.

It has been proposed that a nonbusiness, nonprofit corporation be incorporated in Rhode Island for charitable and educational purposes to act as a conduit for donations to the Naval War College. It would be in a position to accept gifts quickly and would take care of all of the administrative details involved in dealing with the Secretary of the Navy and the Navy General Gift Fund. It could also conduct solicitations of money or other property since persons in the Navy Department may not properly do so.

Purposes. Briefly stated, the purposes of the proposed Foundation would be:

a. To organize and operate a fund exclusively for charitable and educational purposes; to operate said fund in such a manner as to facilitate donations, to provide a source of revenue, from either principal or interest, or both, for the benefit of the U.S. Naval War College, Newport, Rhode Island.

b. To solicit, receive, and make donations of memorabilia, , memoirs, artifacts, journals, and items of archival interest relating to naval strategy or strategists, to the said U.S. Naval War College for the enhancement and support of its traditions and educational mission.

Incorporation.

Five or more persons over 21 years of age shall associate themselves by written articles of incorporation, which shall set forth: their agreement to form a corporation, the corporation's name, the purpose(s) of the corporation, its location, and other provisions as appropriate.

The articles of incorporation must be acknowledged in the same manner as deeds for transfer of real property, and each incorporator must state his residence opposite his name. Forms for the Articles are available from the Secretary of State of Rhode Island. The original and duplicate are filed with the Secretary of State together with the appropriate fees (\$35 total), and the Secretary of State certifies (usually on same business day as received) the duplicate original and returns it. This is the

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authority of the corporation to do business. The filing of the articles may be done by mail. Once the Secretary of State has certified and delivered the duplicate of the Articles of Incorporation, the incorporators constitute a corporation for the purposes set forth in the articles and possess all the powers conferred by law and by the articles until such time as they select a board of directors (trustees) which would then manage and operate the corporation.

Functions of Incorporators.

The incorporators would sign the articles of incorporation before a notary public. They should all appear before the same notary, although it is permissible (according to Secretary of State's office) to have the notarizations take place in different places. It is preferable to have them all simultaneously in the same place, so that any future question of whether they all really had the requisite intent to form the corporation would not be as likely to arise. The incorporators would also choose the directors (Trustees).

Liability of Incorporators and Trustees.

The incorporators will risk no legal liability as such.

The trustees will be under legal obligation to carry out the purposes of the foundation as to file a biennial report in even numbered years (for failure to file as required, a \$50 penalty is prescribed); for failure to file for four years, the Secretary of State shall declare the corporate charter forfeit. After such a forfeiture, any

officer who continues to act risks a fine. The trustees do owe a fiduciary duty to each other to operate legally. In short, barring criminal activity, the trustees do not, as such, subject themselves to legal liability.

Directors.

It is proposed that the directors be called Trustees and would be selected on the basis of high repute, professional accomplishment, interest in the Navy in general and the Naval War College in particular, and broad geographical representation.

Although not required by the Rhode Island law, it is recommended that a quorum of over 50% of the trustees be required for the conduct of business at trustees' meetings. This is good business practice. Depending upon the wishes of the trustees, provision could be made in the bylaws (or in the charter, if the desires were known before the chartering) for proxy voting. The geographical distribution recommended above will insure that over 50% of the total number of trustees are from the Newport-Boston-New York area in order to facilitate presence of a quorum at meetings.

Composition of the Board of Trustees.

It would be advantageous for the Foundation to have among its trustees a local attorney, a local banker, and a local stock broker, and a local businessman. They could be very helpful in the conduct of business of the Foundation; it could

also have a beneficial public-relations effect in the local community. Although the General Laws of Rhode Island do not specify a minimum number of directors of a non-business corporation, it appears wise to have a minimum of five. (The Naval Academy Memorial Fund has operated successfully with that number.)

While the decision as to the number, identities, and geographical location of the trustees of the Foundation must necessarily be left to the incorporators and their successor trustees, it is submitted that as many as eleven to thirteen might be desirable in order that the regional representatives have an active voice in the management of the Foundation.

If the trustees were to number eleven, a possible geographical distribution could be as follows:

One each from New York, Chicago, Washington, D.C., Boston, San Francisco, Los Angeles (or San Diego), and New Orleans, plus the four local individuals indicated above. (With thirteen, additional representation could be had from one other out-of-area city, plus one from Newport-Boston-New York area.)

A large Board of Trustees with wide geographical representation can easily be quite unwieldy. One way around this problem would be to establish an executive committee, which would have delegated power of the Board of Trustees to manage and operate the Foundation between Trustees' meetings.

Officers.

The similar Foundations in existence at other service schools have operated successfully essentially with three to four officers (depending on whether the secretary and treasurer functions are combined into one position): a president, a vice-president, and a secretary-treasurer. These officers would be elected by the trustees from among all the trustees.

A practical arrangement would be for the secretary-treasurer to act as the executive director of the Foundation with appropriate authority given to him either in the bylaws or by resolution of the trustees.

Functions of Trustees.

The trustees will adopt bylaws, which provide the mechanics of the running of the corporation, to effect the purposes of the Articles of Incorporation. They will then elect officers, run the Foundation, and choose successor trustees as the need arises.

The Executive Director (Secretary-Treasurer) would be the individual with the responsibility for the day-to-day operation of the Foundation. Therefore, he should be someone able to devote some time to the tasks. Even if the Chief of Naval Personnel approves assigning a junior officer the collateral duty of keeping books, etc., the Executive Director should still be available locally for signing letters, etc.

Tax Considerations.

a. Federal. The Internal Revenue Code provides for the deductibility of charitable contributions, which are defined, inter alia, as a contribution or gift to or for the use of a corporation, organized and operated exclusively for charitable or educational purposes. [26 USC 170(c)(2)(B)]

The Internal Revenue Code also exempts from taxation, corporations organized and operated exclusively for (inter alia), charitable or educational purposes, provided: no part of the net earnings inures to the benefit of any private individual; the corporation is not engaged in attempting to influence legislation; and the corporation does not participate or intervene in any political campaign on behalf of any candidate for public office. [26 USC 501(c)(3)] Tax exemption is applied for on Form 1023 to the District Director's Office having jurisdiction over Newport.

Preliminary inquiries for obtaining the Foundation tax exemption and for IRS's recognition of contributions to the Foundation as charitable deductions have been initiated. Needless to say, a large measure of success of the Foundation will depend on these matters.

Appropriate restrictions on the Foundation's activities will be placed in both the Articles of Incorporation and the bylaws to comply with the Internal Revenue Code provisions.

b. State. Nonbusiness corporations are exempt from Rhode Island's business corporation and franchise taxes. No exemption from taxability appears in the General Laws of Rhode

Island with regard to realty or intangible personal property owned by a nonbusiness corporation of the nature of the War College Foundation.

c. Local. The General Laws of Rhode Island provide exemptions from real and personal property taxes for nonbusiness corporations organized for religious, fraternal, and educational, or public-charitable purposes. When queried as to the possible liability to taxation of the proposed War College Foundation, Mr. Stein, the Newport tax assessor, stated that unless a nonbusiness corporation fell within the statutory exemptions its personal and real property would be subject to local tax. He added, however, that he would be inclined to construe the law very liberally insofar as the personal property of the proposed corporation was concerned in view of its purpose to make donations of such property to the Naval War College, which is an educational institution, and that he would be disinclined to assess taxes on the Foundation.

Limitation on Assets.

Rhode Island law restricts the value of assets of whatever nature held by a nonbusiness corporation to \$150,000. To get an exemption, it is necessary to get a law passed by the state legislature. To accomplish this, Mr. Lemay, in the Secretary of State's office, said, "see your state senator or representative." He went on to state, however, that the limitation does not apply to money, only to real estate and tangible personal property.

Legal Services.

A local attorney should be recruited to act as an incorporator, who would perform such legal services as are required for the incorporation.

After incorporation, a local attorney should serve as the legal advisor of the Foundation, since some fairly complicated questions of estate and trust law, requiring action beyond the scope of that permitted to the War College's judge advocate, can easily arise.

General Comments.

The Foundation can have a means of encouraging and recognizing gifts, as in the manner of the Naval Academy Memorial Fund, by creating classes of "nominal members" of the Foundation, who would have no voice in running the Foundation but would enjoy an honorary title.

While the national features of the Foundation are important, the local (Newport) public image should not be forgotten. By obtaining the local banker, businessman, attorney, and stockbroker, the local flavor should be adequately preserved.

Drafts of proposed articles of incorporation and proposed bylaws are attached for the consideration of prospective incorporators and trustees.

CDR Peter Walker, JAGC, USN
841-2279

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WHY THE NAVAL WAR COLLEGE
REQUIRES ADDITIONAL FUNDS

We are living today in an era of greatly reduced federal funds for the Department of Defense. As you well know, this is highlighted nearly every day in Press, Radio and TV releases over the distribution of the Military Dollar.

The effect of these reduced funds is particularly noticeable in the Navy, as nearly every day ships are being placed in mothballs or are being sold as scrap. Also nearly every day some decrease in Navy manpower is announced. Part of these cuts are due to a reduction in the overseas commitments of the United States; part, to a belief that the United States is adequately armed for the future; and part, to other reasons of lesser scope.

As a result, many Naval officers of the permanent establishment who have no ships and yet desire to remain in the Navy are given an opportunity to improve themselves by study at the Naval War College. This is a much sought-after assignment, as it improves ~~chances for promotion~~ ^{professional} and gives increasing confidence ~~to its graduates.~~ ^{competence for higher career}

Recognizing this fact, and realizing the great importance of educating as many officers of proven ability as possible, the Navy Department is initiating at the Naval War College a nine-year building program, which includes the progressive construction of four new buildings and the rehabilitation of

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existing buildings. During this time it is planned to increase the student body from its present ~~460~~ students to 700 students, many of whom will be from sister services such as the Army, Air Force, Marine Corps, Coast Guard, State Dept., CIA, USIA and from other government agencies as well. In addition, it is planned to continue at the Naval War College the class of high-ranking Naval officers from about thirty ~~allied~~ ^{friendly} ~~Maritime~~ ^{seamarkable} nations, which has been ~~very~~ successful since its inception. All of this will require large sums of ~~money~~ ^{Government appropriated money}. Owing to inflation, the construction and operating costs can be expected to rise rapidly with the unhappy result that the purchasing power of the appropriated tax dollars can be expected to be less and less--a fact well known to all citizens. It is this erosion of the purchasing power of the tax dollar which led to the formation of the NWC Foundation.

WHY THE NAVAL WAR COLLEGE?

The Naval War College is the world's oldest Naval War College and the Navy's ranking educational institution. Its mission is:

"To provide naval officers advanced education in the science of Naval Warfare and related subjects in order to improve their professional competence for higher responsibilities."

Its success is worldwide! In WW II nearly all top commanders were graduates from this college. Among these were King, Nimitz, Halsey, Spruance, Turner, Hewett, Conolly,

However, owing to inflation, the construction and other expansion programs of the Naval War College must of necessity be austere. Similarly, dynamic new educational programs may well be restricted. It is the recognition of these limitations in the years ahead which led to the formation of the NWC Foundation.

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Lockwood. As Fleet Admiral Nimitz wrote some years later:
"The courses [at the Naval War College] were so thorough that, after the start of WW II--nothing happened in the Pacific that was strange or unexpected."

WHAT IS THE NAVAL WAR COLLEGE FOUNDATION?

The Naval War College Foundation, Inc., is a charitable, non-business corporation authorized by the Navy Department and organized under the General Laws of Rhode Island in November 1969. Its objective is to provide a private source to aid the Naval War College to carry out its Mission.

TAX STATUS

It is tax exempt having been so ruled by the Internal Revenue Service. Therefore, contributions to it are deductible for income tax purposes to the extent permitted by law.

HOW THE GIFTS WILL BE USED

Although all gifts are basically for the purpose of improving education at the Naval War College, the various gifts which the college hopes to receive will, naturally, accomplish this in various ways. ~~This is because~~ it is expected that gifts will not only consist of money, but also, of intangible personal property such as stocks and bonds; of memorabilia, artifacts, memoirs, art such as Naval paintings and portraits, and other archival material from both military and civilian sources.

With the money received it is hoped to obtain more and better professors; to set up new educational chairs, such as a chair of Oriental affairs; to obtain one or more unusually expensive lecturers, as well as lecturers from the West Coast, Hawaii and Alaska which today's limited federal funds render too costly; to improve the library, especially in rare books; and generally to better the facilities of the U.S. Naval War College in order to afford ^{our next generation of Naval leaders} ~~the students~~ the best educational atmosphere possible.

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SPRUANCE

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